

Report Date: February 8, 2019

TCAPR,
CORP.
Office of the
Technical
Compliance Advisor

Financial
Report as of:

December 31

2018

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Prepared by:
Eric Guzman
Executive Office
Manager

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To: **Judge Gustavo A Gelpi**
 United States District Court of Puerto Rico
 Federico Degetau Federal Building
 150 Carlos Chardon Street
 San Juan, PR, 00918-1767

Copies: US Department of Justice
 PR Department of Justice

From: **Eric Guzman**
 Executive Office Manager
 Office of the Technical Compliance

Re: **Mr. Arnaldo Claudio**
 Technical Compliance Advisor ("TCA")
 TCAPR, Corp.

Subject: Financial Report as of December 31, 2018

TCAPR, Corp.
Statement of Operations and Fund Balance vs. Budget
As of December 31, 2018

TCAPR, CORP.	ACTUAL	BUDGET	VARIANCE
TOTAL PRPD REFORM CONTRIBUTIONS	\$ 1,509,663.25	\$ 1,519,547.76	\$ (9,884.51)
PROGRAM EXPENSES			
SALARIES & WAGES	\$ 413,838.24	\$ 478,838.00	\$ (64,999.76)
CONSULTANTS (CORE TEAM)	602,647.50	602,070.12	577.38
SPECIALISTS	351,247.31	288,625.10	62,622.21
TRANSPORTATION	26,283.17	30,644.04	(4,360.87)
TOTAL PROGRAM EXPENSES	1,394,016.22	\$ 1,400,177.26	\$ (6,161.04)
MANAGEMENT & GENERAL EXPENSES			
EMPLOYER RELATED TAXES & BENEFITS	\$ 52,198.27	\$ 57,770.48	\$ (5,572.21)
COMMUNICATIONS	2,297.33	3,000.00	\$ (702.67)
PROFESSIONAL & FEES	18,100.08	18,100.00	0.08
OTHER OFFICE CHARGES	4,238.93	4,500.02	(261.09)
OFFICE RENT EXPENSES	36,389.02	36,000.00	389.02
TOTAL MANAGEMENT & GENERAL EXPENSES	113,223.63	119,370.50	\$ (6,146.87)
FUND BALANCE (Note 5)	\$ 2,423.40	\$ -	\$ 2,423.40

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TCAPR, Corp.
Summary of Actual vs Budget Variance
As of December 31, 2018

TCAPR, CORP.	ACTUAL	BUDGET	VARIANCE
PROGRAM EXPENSES	\$ 1,394,016.22	\$ 1,400,177.26	\$ (6,161.04)
MANAGEMENT & GENERAL EXPENSES	113,223.63	119,370.50	(6,146.87)
BUDGET SAVING FROM PROGRAM & MANAGEMENT EXPENSES	\$ 1,507,239.85	\$ 1,519,547.76	\$ (12,307.91)

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TCAPR, Corp.
Statement of Financial Position
As of December 31, 2018

TCAPR, CORP.	2018	2017
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ASSETS**CURRENT ASSETS**

PETTY CASH	\$ (20.00)	\$ (974.19)
REGULAR CHECKING ACCOUNT	5,144.38	14,621.63
RESTRICTED FUNDS (Note 1)	7,675.00	7,675.00
ACCOUNT RECEIVABLE (USDC-PR) (Note 2)	83,123.98	47,639.75
UNBILLED TCAPR SERVICES (Note 3)	4,085.71	3,266.55
UNBILLED SALARIES	-	266.75
TOTAL CURRENT ASSETS	\$ 100,009.07	\$ 72,495.49

OTHER ASSETS

PRTC DEPOSIT (Note 4)	150.00	150.00
PREPAID INSURANCE	7,312.00	3,290.00
PREPAID INSURANCE AMORTIZATION	(6,641.70)	(2,891.34)
TOTAL OTHER ASSETS	\$ 820.30	\$ 548.66

TOTAL ASSETS	<u>\$ 100,829.37</u>	<u>\$ 73,044.15</u>
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LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

ACCOUNTS PAYABLE	\$ 80,809.09	52,669.08
COURT OVERPAYMENT	-	89.00
SALARIES ROUNDING ADJUSTMENT	-	673.24
EXPENSES REIMBURSEMENT	-	10.40
SOCIAL SECURITY TAXES	-	792.58
FEDERAL INCOME TAX PAYABLE	-	1,146.39
FEDERAL UNEMPLOYMENT TAX	168.00	168.00
STATE INCOME TAX WITHHOLDING	-	-
INCOME TAX WITHHOLDING (VA)	2,639.04	2,725.76
CHAUFFEUR INSURANCE	10.40	10.40
7% INCOME TAXES PAYABLE	4,761.75	4,741.58
OTHER FEES	5.00	5.00
TOTAL CURRENT LIABILITIES	\$ 88,393.28	\$ 63,031.43
RESTRICTED FUND BALANCE (Note 6)	\$ 12,466.09	\$ 10,012.69
TOTAL LIABILITIES & NET ASSETS	<u>\$ 100,859.37</u>	<u>\$ 73,044.12</u>

TCAPR, Corp.
Notes of Statement of Financial Position
As of December 31, 2018

Note 1: Restricted Funds

The actual bank account balance of \$12,818.38 includes funds in the amount of \$7,675 that have been designated for the following transactions:

Landlord Deposit	\$ 6,000.00
Funds for an Office Switchboard	<u>1,675.00</u>
Total	7,675.00

During the month of December 2018, the TCA made an advance payment for work which was required to be paid reimbursed and was invoiced by the USDC the following month of January 2019. This advance payment resulted in a temporary reduction in the Restricted Fund balance that was subsequently cured in January 2019.

Note 2: Overbilling

The total December invoice for Core Team cots was \$84,922.37; however, due to a clerical mistake during the preparation on that invoice, the TCA over billed and collected \$1,798.90. This credit will be applied towards the TCA invoice for the month of February 2019; at which time the overpayment is cured.

Note 3: TCA Office Unbilled Expenses

This amount represents TCA Office expenses incurred that have been invoiced to the USDC during the month of January 2019:

Social Security Tax	\$ 693.30
Telephone and Communications	191.61
Medicare Tax	501.68
Accounting, Tax & Advisory	1,508.34
Medical Insurance	1,018.86
Chauffer Insurance	3.92
FUTA	<u>168.00</u>
Total	\$ 4,085.71

Note 4: PRTC Deposit

As a prerequisite to establishing a telephone/internet service with the PRTC/Claro for the TCA Office, a commercial deposit of \$150.00 is required. Upon the closing of this account service, this deposit is to be applied towards the TCA Office's final invoice with any excess deposit to be refunded.

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TCAPR, Corp.
Notes of Statement of Financial Position
As of December 31, 2017

Note 5: Fund Balance

The Fund Balance account represents the overbilled amount, bank interest deposits, the difference between insurance premiums and their amortization amounts, and an immaterial rounding effect.

Note 6: Change in Accounting Policy & Prior Period Adjustment

Since 2015, the TCA has reported in the Fund Balance account to non-billed vacation and sick leave accruals of non-exempt employees who worked more than 115 hours per month as required by Act No. 180 of July 27, 1998¹. However, to simplify the processing and payment of vacation and sick leave benefits, the TCA Office has preferred the practice processing and paying vacation and sick leave benefits similar to exempt (salary) employees.

As a result, all vacation and sick leave is currently reported on the Salaries & Wages (Expense) Account without the need to further accumulate this future reimbursable cost on the Financial Statements until such time the employee is terminated voluntarily or involuntarily. At such time, any unused vacation time² to be paid to the employee shall be billed to the USDC and recorded as a liability, and thereby meeting the requirements of Act No. 180 of July 27, 1998.

The above change in Accounting Policy has been presented retroactively, therefore, the comparative balance sheet balances for 2017 have been restated herein. The overall effect is a reduction in accumulated liabilities and an increase in the Fund Balance account.

The reconciliation of the prior period Fund Balance account is as follows:

Vacations and Sick Leave Adjustment for 2017

RESTRICTED FUND BALANCE BEFORE	\$ 5,468.89
ADJUSTMENT - VACATIONS & SICK LEAVE	<u>4,543.80</u>
RESTRICTED FUND BALANCE AFTER	\$ 10,012.69

¹ Pre-Labor Reform Rules

² Unused Sick Leave is not paid upon termination.